

Message Text

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PAGE 01 NEW DE 17014 231314Z

41

ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 ABF-01 L-03 /095 W
----- 086834

R 231144Z NOV 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 9674

INFO AMCONSUL BOMBAY

AMCONSUL MADRAS

AMCONSUL CALCUTTA

UNCLAS NEW DELHI 17014

E.O. 11652: N/A

TAGS: EFIN, IN

SUBJECT: INDIA'S FOREIGN EXCHANGE RESERVES

REF: NEW DELHI 15356

SUMMARY: INDIA'S TOTAL RESERVES WERE DOLS2,665
MILLION AS OF END-JULY 1976 AND ARE ESTIMATED BY THE EMBASSY
TO BE DOLS2,699 MILLION AS OF END-OCTOBER 1976. AT THE END
OF OCTOBER 1976, BORROWINGS FROM IMF WERE DOLS469 MILLION.
THE GOVERNMENT, CONCERNED BY LOCAL INFLATIONARY PRESSURES GENERATED
BY ITS IMPROVED FOREIGN EXCHANGE RESERVE POSITION, HAS LIBERALI-
ZED IMPORT PROCEDURES TO INCREASE IMPORTS OF CAPITAL GOODS,
INDUSTRIAL RAW MATERIALS AND CERTAIN MASS CONSUMPTION ITEMS.
END SUMMARY.

1. INDIAN RESERVES ARE AS FOLLOWS: (DOLS MILLION);

USE OF			
FOREIGN	GOLD	SDRS	TOTAL FUND NET
EXCHANGE		RESERVES	CREDIT RESERVES

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PAGE 02 NEW DE 17014 231314Z

A/ B/ C/ D/

JULY 1976 2,169 279 217 2,665 730 1,935

AUG.1976(AST) 2,314 280 218 2,812 732 2,080

SEPT 1976(EST) 2,171 281 217 2,669 470 2,199

OCT.1976(EST) 2,202 280 217 2,699 469 2,230

A/ RUPEE-DOLLAR CONVERSIONS BASED ON END-MONTH DOLS/STERLING
CROSS RATE IN LONDON AS FOLLOWS: RS.8.98 END-JULY 1976;
RS. 9.00 END-AUGUST 1976; RS. 8.78 END-SEPTEMBER 1976; AND
RS. 9.15 END-OCTOBER 1976.

B/ WHILE GOLD HOLDINGS OF THE RESERVE BANK OF INDIA REMAIN
CONSTANT AT RS.1.83 BILLION, ITS VALUE IN DOLLARS IS
DETERMINED BY U.S. DOLS/SDR RATE AT END OF EACH MONTH.

C/ FIGURES IN DOLLARS FOR JULY-SEPTEMBER 1976 TAKEN FROM
NOVEMBER 1976 INTERNATIONAL FINANCIAL STATISTICS (IFS).
THE DOLLAR VALUE FOR OCTOBER 1976 REFLECTS THE CHANGE
IN THE U.S. DOLS/SDR RATE ASSUMING NO CHANGE IN THE NUMBER
OF SDRS HELD BY INDIA SINCE END-SEPTEMBER 1976.

D/ USE OF FUND CREDIT IN SDRS WAS 636.3 MILLION END-JULY,
END-AUGUST AND 406.3 MILLION END-SEPTEMBER 1976. THE
DOLLAR FIGURE FOR END-OCTOBER 1976 REFLECTS THE CHANGE
IN THE U.S. DOLS/SDR RATE ASSUMING NO CHANGE IN THE NUMBER
OF SDRS HELD SINCE END-SEPTEMBER 1976. DOLLAR/SDR
CONVERSIONS BASED ON END-MONTH DOLS/SDR RATE AS FOLLOWS:

DOLS 1.14694 END-JULY; DOLS1.15077 END-AUGUST, DOLS1.15709
END-SEPTEMBER, AND DOLS1.15471 END-OCTOBER 1976.

2. COMMENT: THE INCREASE IN FX RESERVES HAS BEEN A
MAJOR FACTOR IN THE RISE IN THE MONEY SUPPLY THIS FISCAL YEAR.
THE GOI HAS BEEN CONSIDERING HOW TO USE ITS IMPROVED FOREIGN
EXCHANGE POSITION TO CONTAIN INFLATIONARY PRESSURES AND FOSTER
ECONOMIC DEVELOPMENT. SEVERAL MONTHS AGO THE GOVERNMENT
LIBERALIZED PROCEDURES FOR INCREASED IMPORT OF CAPITAL
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PAGE 03 NEW DE 17014 231314Z

GOODS AND INDUSTRIAL RAW MATERIALS. ACCORDING TO A
NOVEMBER 19 STATEMENT BY A.K. GHOSH, ADDITIONAL SECRETARY
IN THE MINISTRY OF INDUSTRY, THE GOI HAS RECENTLY DECIDED
TO LIBERALIZE ALSO THE IMPORT OF CERTAIN MASS CONSUMPTION
GOODS, AND IMPORTS OF EDIBLE OILS HAD ALREADY BEGUN TO
BUILD UP A BUFFER STOCK. WHILE THE LOCAL COST OF BUFFER
STOCKS OF VARIOUS ESSENTIAL COMMODITIES WILL BE QUITE HIGH,
THEIR EXISTENCE WILL GIVE THE GOI MORE FLEXIBILITY IN

MAINTAINING OR REDUCING PRICES OF FOODSTUFFS AND OTHER MASS
CONSUMPTION ITEMS. IN ADDITION, COMMERCE MINISTRY
SECRETARY BOSE MULICK ANNOUNCED NOVEMBER 22 THAT GOI
IMPORT POLICY WOULD BE LIBERALIZED FURTHER. THE RELATIVELY
SMALL FX RESERVE ACCUMULATION IN OCTOBER (DOLS31 MILLION)
APPEARS TO BE DUE TO RISING IMPORTS AND/OR A DECREASING
FLOW OF REMITTANCES FROM INDIANS OVERSEAS.SCHNEIDER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN EXCHANGE HOLDINGS, FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 23 NOV 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976NEWDE17014
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760435-1232
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761123/aaaaasuw.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 NEW DELHI 15356
Review Action: RELEASED, APPROVED
Review Authority: powellba
Review Comment: n/a
Review Content Flags:
Review Date: 02 AUG 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 AUG 2004 by castelsl>; APPROVED <30 NOV 2004 by powellba>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDIA'S FOREIGN EXCHANGE RESERVES
TAGS: EFIN, IN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006